TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 2568 - SB 2532

February 15, 2016

SUMMARY OF BILL: Requires the board of directors of any risk retention group (RRG) operating in this state to have a majority of independent directors. Requires the board of directors to establish governance standards and a code of ethics. Establishes a five year limit for any material service provider contract entered into by an RRG. Requires each RRG to establish an independent audit committee. Reduces the time period from fifteen to five business days, by which a registered insurer and a registered health maintenance organization must report all declared dividends and other shareholder distributions to the Commissioner of the Department of Commerce and Insurance (TDCI), and further requires this report to be made to the Commissioner at least ten days prior to payment of such dividends or other shareholder distributions.

Makes various changes to requirements of insurers regarding reinsurance, credit for reinsurance, and approval of credit for reinsurance by the Commissioner of the TDCI. Authorizes the Commissioner of the TDCI to certify reinsurers and to create and publish a list of authorized jurisdictions outside the United States from which a licensed reinsurer is eligible for certification in Tennessee. This list may be comprised from a list of qualified jurisdictions published by the National Association of Insurance Commissioners (NAIC). Requires the Commissioner of the TDCI to assign a rating to certified reinsurers.

ESTIMATED FISCAL IMPACT:

NOT SIGNIFICANT

Assumptions:

- According to the TDCI, this legislation is necessary to maintain the Department's accreditation status with the National Association of Insurance Commissioners (NAIC).
- According to the TDCI, it can meet all requirements of this legislation utilizing existing staff during normal work hours.
- The TDCI indicates that it will not charge a fee in conjunction with the certification of reinsurers; therefore, no increase in state revenue.

IMPACT TO COMMERCE:

Increase Business Expenditures - Exceeds $25,000

Assumptions:

- Requiring risk retention groups to establish an independent audit committee is likely to result in an increase in business expenditures for risk retention group entities in the state.
- Due to numerous unknown factors such as the time it will take for an independent audit committee to meet the significant requirements established in this legislation and the rate of compensation of those included in the audit committee, a precise estimate for any increase in business expenditures cannot be determined; however, the increase in business expenditures incurred by RRGs statewide is reasonably estimated to exceed $25,000 statewide.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee

Krista M. Lee, Executive Director

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